

61-9009/a

21 December 1961

✓ *card*
Mr. John P. Hardt
Research Analysis Corporation
6935 Arlington Road
Bethesda, Maryland
Washington 14, D. C.

Dear Mr. Hardt:

I have followed with much interest the work of the Research Analysis Corporation and I have before me a memorandum of the Agency's particular expert on the subject matter dealt with in your recent book.

STAT In view of my relinquishing the functions of the Director of Central Intelligence, I have referred this documentation to for his information and any appropriate action.

Sincerely,

H Allen Dulles

STAT cc:

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20 December 1961

MEMORANDUM FOR: Allen W. Dulles

SUBJECT: Proposed Follow-up on Dr.
John P. Hardt and His
Invitation to Discuss His
Book, The Cold War Economic
Gap

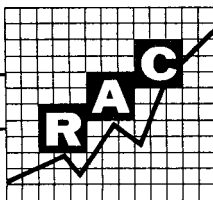
1. With respect to your memorandum of 18 December, I would suggest that you acknowledge Dr. Hardt's letter and send it to the files. There does not seem to be any particular benefit which would follow from a meeting between you and Dr. Hardt.

2. The undersigned has known Hardt for a number of years and will keep in touch with his writings as a matter of normal professional contact. Your offer to arrange a meeting with him is, however, much appreciated.

Chief, Economic Research Area, ORR

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77-9304



TELEPHONE OLIVER 4-4200

RESEARCH ANALYSIS CORPORATION

6935 ARLINGTON ROAD, BETHESDA, MD., WASHINGTON 14, D. C.

15 November 1961

Mr. Allen Dulles
Central Intelligence Agency
2430 E Street, N.W.
Washington 25, D. C.

Dear Mr. Dulles:

The enclosed book, published November 17, 1961, was the result of the research efforts initiated by the hearings of the Joint Economic Committee on Soviet—United States economic comparisons in November, 1959. As I drew heavily on your testimony, I am anxious to place a copy in your hands.

New light has been thrown on the theses and conclusions of the book by the disclosures of the XXII Party Congress and the new budget proposals of the US Administration. This additional information confirms the sense of urgency we counselled in meeting the economic challenge of the Soviet Union in the cold war.

I would be delighted to discuss with you any aspect of the book or any subsequent developments that is your pleasure.

Cordially,

John P. Hardt
JOHN P. HARDT

Encl A/S

17 NOV 1961

1 December 1961

MEMORANDUM FOR: Colonel Stanley J. Grogan
Assistant to the Director

SUBJECT: Review of The Cold War Economic Gap,
by John P. Hardt et al (New York:
Frederick A. Praeger, 1961, Pp.
xii, 114)

1. As recently requested, we have reviewed Dr. Hardt's book, and our comments follow.

2. In his preface (p. xi), Dr. Hardt serves notice to the reader that his book "... is not intended as a text or a survey but as a presentation of an argument." The basic argument presented is not new; it is the familiar thesis that the differential between Soviet and U.S. rates of economic growth, in conjunction with existing patterns of resource allocation, threatens to impair the world power position of the United States. Dr. Hardt summarizes his conclusions as follows (p. 38): "The Cold War economic gap will emerge if (1) the U.S.S.R. employs its growing economic capability as it has in the past, and (2) marked changes do not occur in the growth rates and allocation policies of the U.S. economy. The meaning of the Cold War economic gap is that the Soviet Union would be spending more than the U.S. on all elements of the Cold War: defense, foreign aid and trade, science and technology, and propaganda. Past allocation patterns indicate that the emergence of the gap is certain to occur in the decade of the 1960's."

3. In the presentation of his argument, Dr. Hardt relies heavily on materials contained in papers and testimony presented in 1959 to the Joint Economic Committee (published under the title, "Comparisons of the United States and Soviet Economies"). After comparing Soviet (roughly estimated, p. 8) and U.S. GNP projected into the future at various assumed growth rates, Hardt concludes that the Soviet economy is not likely to overtake and surpass the U.S. in total production in the near future.

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4. Assuming that no drastic change occurs in Soviet priorities, however, expansion of Soviet cold war effort will be determined primarily by the additional output that becomes available each year. And it is here that Dr. Hardt finds cause for alarm (p. 10): "The crossover point is imminent when the annual U.S.S.R. increment to gross national product will equal that of the U.S. It may be reached within this decade..." This situation is aggravated by strong pressures in the United States to stabilize the federal budget in dollar terms. Dr. Hardt raises the question of whether or not nonbudgetary elements of U.S. military strength might be expected to offset the advantage to be gained by the Soviets as a result of the "Cold War economic gap." His answer to this is simple (p. 43): "probably not."

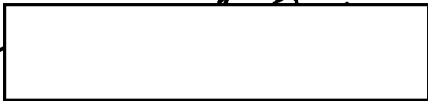
5. If the U.S. is to avoid the threat posed by the prospective economic gap, Dr. Hardt suggests that the gap itself must be avoided by (1) an increase in the rate of U.S. economic growth, and (2) not permitting budgetary considerations to force the share of GNP represented by the public sector to contract. He warns against excessive preoccupation with the rate of growth per se, however, and stresses the importance of expanding those economic sectors that contribute to the prosecution of the cold war. Hardt points out that expanding the public sector in order to more intensively wage the cold war might well help to bring about the needed increase in the rate of growth in gross national product.

6. The book presents no new information or analysis; it is therefore not surprising that its conclusions are not new or profound. Dr. Hardt, primarily on the basis of work done by others (materials presented to the Joint Economic Committee in 1959), sounds the warning anew and issues a call for action; but concerning the dimensions of the action required, he gets little more specific than citing the need to issue top priority to cold war needs, and "to puncture this complacency and convince the public that our Cold War needs outrank all others..."

7. The Cold War Economic Gap presents a curious mixture in writing styles. The text of the book is clearly aimed at an audience of non-economists. It is written with a degree of sophistication somewhat greater than that found in Time magazine, but less than that typically found in Fortune. Documentation is, at best, inadequate. At the same time, it contains an appendix dealing with Ruble/Dollar ratios (pp. 93-95) and presenting various Soviet and U.S. economic data (pp. 96-114) of dubious value to those without training in economics.

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8. Dr. Hardt's work presents a popularized version of implications which can be drawn from materials presented by the Joint Economic Committee. Although the point of view he presents would not meet universal agreement among experts in the field, it would be shared by many. And in building his case, he has relied upon numbers and ideas developed by men knowledgeable in the field.


Chief, Economic Research Area, ORR

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